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RUEHFK/AMCONSUL FUKUOKA 2310  
RUEHHK/AMCONSUL HONG KONG 6693  
RUEHNH/AMCONSUL NAHA 4655  
RUEHOK/AMCONSUL OSAKA KOBE 6097  
RUEHKSO/AMCONSUL SAPPORO 2866  
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C O N F I D E N T I A L SECTION 01 OF 02 TOKYO 000286

SIPDIS

STATE FOR EAP/J, EEB, AND OES  
STATE PASS USTR FOR M. BEEMAN  
COMMERCE FOR K. ROTH AND D. BARZDUKAS

E.O. 12958: DECL: 02/04/2015  
TAGS: [EIND](#) [ECON](#) [PGOV](#) [SENV](#) [KGHG](#) [JA](#)  
SUBJECT: HONDA: IT'S GENERAL ECONOMIC STIMULUS THAT'S  
NEEDED, NOT SECTOR-SPECIFIC AID

REF: A. TOKYO 174  
[1](#)B. TOKYO 228

Classified By: EMIN Robert F. Cekuta, Reasons 1.4 (b) and (d)

[1](#)1. (C) Summary: Governments need to act quickly to stabilize financial markets and restart credit flows to companies and consumers, Honda executives told emboffs. The auto company executives argued assistance should aim to provide a general stimulus to economies rather than be targeted to specific industries, companies, or sectors. They stressed Honda's extensive operations in the U.S. have given the firm an American character so that "'Buy American' means 'Buy Honda.'" The company will consider applying for GOJ support (e.g., from the Japan Bank for International Cooperation), which facilitates credit for overseas subsidiaries of Japanese firms. Honda supports tax incentives for eco-friendly autos -- its current technology puts the company in good stead to benefit -- but says decisions to share green technology must be based on commercial factors. The executives admitted Honda will not extend contracts for temporary employees, but insisted it will not cut permanent employees. While the economic situation may be tough for Honda and other major Japanese firms, they said, it is much harder for small and medium-sized Japanese enterprises. End summary.

Managing in the Current Crisis  
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[1](#)2. (C) Any government support for ailing companies should be offered broadly rather than be targeted at specific industries or companies, Honda External Affairs Division General Manager Takao Aoki and General Manager for Policy Coordination Hiroshi Mikajiri told EMIN February 2. Inability to access liquidity via financial markets is a problem both for Honda's production subsidiaries and marketing distributors/sales operations in the U.S. Distributors' and sales operations' subsequent problems in helping provide customers with credit constrain Honda's U.S. auto sales. In addition to hoping the USG will keep working to unfreeze credit flows in the U.S., Honda is looking closely at discussions within the GOJ about cutting taxes to encourage car sales and reopen credit, as well as discussions underway in European countries to encourage potential

customers to replace aging vehicles.

13. (C) Honda has not requested any direct support from the GOJ, Aoki said. However, given current financing and liquidity difficulties, Honda might consider applying for Nippon Export and Investment Insurance (NEXI) or Japan Bank for International Corporation (JBIC) programs. (Note: The JBIC is the former Export-Import Bank of Japan. The GOJ recently announced JBIC will offer emergency financing, loans, and debt guarantees to companies experiencing tight restrictions on access to credit in developed countries. The NEXI also announced a program offering working capital, commercial risk coverage, and liquidity support for overseas subsidiaries. End note.)

14. (SBU) Historically, Honda used its vehicle production facilities in different markets to take advantage of currency shifts; the company could move production to maximize advantages that might result from changes in exchange rates or other factors. However, in the current international situation, the sudden and frequent changes in exchange rates have not been conducive to utilizing such a strategy, Aoki noted.

15. (SBU) Despite press reports of lay-offs (ref A), Aoki said Honda has not cut any permanent employees. Instead, the company is allowing contracts -- directly with temporary workers or with employment (dispatch) agencies that supply such workers -- to expire. Most of the temporary workers are involved in Honda's motorcycle production, which is seasonal, Aoki said. Honda executives noted while the current economic

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situation makes it difficult for Japan's large corporations to retain their permanent employees, the country's small and medium sized enterprises are being squeezed harder and thus lay-offs in SME sectors are likely and could be significant.

16. (C) Honda's business model includes building products close to customers in order to maximize the efficiency of just-in-time inventories, to make people feel positive about Honda as a member of the communities where factories are located, and to minimize currency exchange rate risks. In its six U.S. factories, Honda directly employs approximately 30,000 workers, not including dealers and suppliers. "'Buy American' means 'Buy Honda,'" noted Aoki. The company believes the significant levels of production in U.S. and other markets will also help avoid a replay of the sorts of trade friction that occurred in earlier years, Honda External Affairs Division Deputy General Manager Naoto Muraoka told econoffs in a separate meeting.

Green Technology -- A Commercial Transaction

17. (C) Honda, like Toyota, supports government tax incentives to encourage purchases of fuel-efficient vehicles (ref B). Offering these tax incentives to the customer, rather than providing other types of subsidies guarantees fairness, Aoki claimed.

18. (C) Discussing U.S. automakers, Aoki said the companies require a significant improvement in their production lines in order to embrace green technology. Like Toyota, Honda looks to license its new technologies; the company sees electric engine or fuel cell technologies making significant gains over the conventional internal combustion engine through the medium term. Honda is opposed to the notion advanced by some NGOs or academics that governments should make Japanese industry share their green technology (e.g., fuel cell and hybrid). Any such arrangements need to be on a commercial basis and include appropriate protection for intellectual property rights.

Comment

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19. (C) The Honda officials were certainly putting the best light on the company's situation. Honda, like Toyota, is taking steps to show it is not business as usual, e.g., Honda's December announcement to withdraw from Formula One, a marketing mainstay for years. Honda is leveraging its particular attributes; strong motorcycle sales in Latin America and Asia are mitigating somewhat declining auto sales and the firm is positioned to benefit from increased demand for eco-friendly autos in the U.S. and elsewhere. However, the company is also concerned about how any disruption among the Big Three auto producers could play out in the market, including impacts on firms that supply parts to Honda as well as U.S. and other automakers.

ZUMWALT